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C O N F I D E N T I A L SECTION 01 OF 02 GUATEMALA 001259

SIPDIS

DEPARTMENT FOR WHA/CEN

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SUBJECT: PEREZ MOLINA LEAVES GOVERNMENT FOR CONGRESS

REF: GUATEMALA 1241

Classified By: Acting PolCouns Erik Hall, for reason 1.5 (b&d).

1. (C) Summary: On May 17, after meeting with President Berger, GOG Security and Defense Commissioner Otto Perez Molina announced his resignation from the Executive branch, the Patriot Party's (PP) exit from the GANA coalition, and his return to Congress to lead the PP in opposition. Perez Molina claimed to have quit on principle, to protest the GANA alliance with the FRG (plus the Unionista Party and some independents) in the naming of the Congressional Permanent Commission (see reftel). The press hailed Perez Molina's exit and criticized what they characterized as Berger's blunder. By all accounts, the UNE and PAN say the Governability Pact is now officially over; the GANA expects to pick up six Congressional converts after losing the PP's eight. GANA leaders insist no deal was made with the FRG for its support, which may continue through passage of the pending fiscal reforms. It is unclear how Perez Molina's exit will affect the on-going military reduction. Perez Molina had been the foremost advocate within the government of accompanying military reduction with modernization. End Summary.

Perez Molina's Move

2. (U) When announcing his decision, Perez Molina told the press that he resigned in protest over GANA collaboration with the FRG, and would now return to Congress to lead the Patriots in "constructive opposition." He predicted that other parties would reject any future overtures from the GANA as a result, and that the GANA's "only option would be to continue (in alliance) with the FRG." Perez Molina said, that in his meeting with Berger that immediately preceded his announcement, he had expressed concern to Berger that authorities were proceeding against two past Defense Ministers and their chiefs of finance for allegations of massive corruption, but not (Rios Montt's son) Enrique Rios Sosa, implying the existence of a corrupt political deal between Rios Montt and Berger. Perez Molina also told the press that Berger had told him that as the FRG had not asked for anything in exchange for its support on the matter of the Permanent Commission, he believed the collaboration was limited to this single vote. Later, he blamed GANA Congressional leader Ricardo Saravia and Presidential Chief of Staff Eduardo Gonzalez for continually excluding the PP from GANA decision-making.

Presidential Reaction

3. (U) President Berger reacted to Perez Molina's announcement by saying "we were not sure whether it was better to have them (the PP) as allies or opposition, as we were never sure of PP votes." He commented that "the (Governability) Pact with the PAN and UNE was weak and never worked." Berger said the agreement with the FRG was not conditional, and no different from what he would seek from any other party. Berger said the GANA would negotiate vote by vote to pass pending legislation, including the fiscal reform package. Eduardo Gonzalez publicly cited the PP's early insistence on forming its own separate Congressional bench distinct from that of the GANA, its opposition to CICIACS, its position on electoral reforms, and the Permanent Commission issue as evidence that the PP did not share the GANA's goals. Asked about the political cost to the GANA of working with the FRG, Gonzalez said that "the divided Congress was the decision of Guatemalans. This requires that all political groups in Congress be taken into account, including the FRG. We must pursue, even with them, what is beneficial for Guatemala."

The GANA's Side

4. (C) GANA Congressional chief Ricardo Saravia told PolOff on May 17 that Molina's exit had been long coming, and the GANA's cooperation with the FRG is just a convenient excuse. He accused Perez Molina of personal political motives for the PP's uncooperative behavior in Congress (over the electoral

reforms and CICIACS, which Saravia said he is now convinced Guatemala desperately needs) and his seeding of confidants throughout the Executive branch. Note: Perez Molina reportedly freed these individuals of any obligation to step down and Berger said he had no intention of "using the machete to lop off heads." End Note.

15. (C) With the Governability Pact now definitively over, Saravia said the GANA (with 39 deputies, after the departure of the PP's 8) expects to accept 6 converts from the independent deputies, and will work with the FRG (31 deputies) and Unionistas (7), to achieve the simple majority needed to pass high-priority pending fiscal reforms during the recess (by July 30). Saravia is the leader of Berger loyalists who left the PAN with Berger during the election campaign, to form the GANA. This group, referred to as the M-17, is not formally incorporated as a party, and includes 28 Congress members. He claimed that the loyalty of the remaining two political parties (the Reform Movement, with 4 deputies; and the National Solidarity Party, with seven) was assured. Note: Press reports raised doubts about this claim, saying PSN leaders also expressed concern on May 17 about GANA collaboration with the FRG. On May 18, PSN leaders continued to publicly express concern about GANA-FRG cooperation. End Note.

16. (C) According to Saravia, the GANA's collaboration with the FRG is solely focused on the fiscal reforms. He claimed there is no deal with the FRG involving prosecutions of Portillo government officials. Saravia said he was forced to approach the FRG when it became clear that President of Congress Morales would not agree to GANA's preferred composition of the Permanent Commission (critical to control over the Congress during the recess). Morales had also indicated that the fiscal reforms would be sent to many different commissions, a recipe, in Saravia's view, for endless delay. In contrast, the May 15 GANA-FRG-Unionista-independent vote gave the GANA majority control over the Permanent Commission, and the fiscal reforms will be considered by the Finance Commission only.

A View from the Opposition

17. (C) Former UNE Vice Presidential candidate Fernando Andrade echoed the editorial line of the major papers to EconCouns on May 18. According to Andrade, the Eduardo Gonzalez - Perez Molina rivalry came to a head, provoked by the obsession with cobbling together votes for the fiscal pact. He blamed Berger for failing to control both these egos within the government. A better leader would have the vision, experience, and maturity to keep the PP inside Gana through the military restructuring and find some way to avoid the embrace of the FRG. Instead, the GANA set up Otto Perez to seize the high ground before they got what they needed on military restructuring and the basic direction of government. According to Andrade, Perez retains the support of the ex-PACs and is the person the military high command trusts to get modernization in return for down-sizing; he will be big trouble for GANA down the road.

Comment

18. (C) Perez Molina's presidential aspirations are widely recognized and an eventual break with the GANA was considered inevitable. The GANA's collaboration with the FRG offered Perez Molina an opportunity to claim the moral high ground (and gain the support of a fiercely partisan print media). By Saravia's account, the GANA believes the price they are paying for this collaboration is justified by the near-term goal of passing fiscal reforms. That price could continue to mount, however. Opposition leaders and opinion-makers continue to portray the move as a political blunder and blame Berger and Gonzalez.

19. (C) It is unclear how the exit of Perez Molina and the Patriot Party will affect ongoing military reductions and other issues of USG interest, including CICIACS. Some members of the military saw Perez Molina as the GOG guarantor of modernization in exchange for reductions, and may require reassurance that the promise will be kept.
HAMILTON